

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Pinecrest Medical Care Facility</u>	County Menominee
Audit Date December 31, 2004	Opinion Date January 26, 2005	Date Accountant Report Submitted To State: February 15, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 750 Trade Centre Way, Suite 300	City Portage	State MI	ZIP 49002
Accountant Signature 			

Pinecrest Medical Care Facility

Combined Financial Report
with Additional Information
December 31, 2004

Pinecrest Medical Care Facility

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Independent Auditor's Report

To the Family Independence Agency Board
Pinecrest Medical Care Facility

We have audited the combined balance sheet of Pinecrest Medical Care Facility (the "Facility") and affiliated entities (owned and operated jointly by Delta, Dickinson, and Menominee counties, Michigan) as of December 31, 2004 and 2003 and the related combined statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Facility and affiliated entities at December 31, 2004 and 2003 and the results of their combined operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying combined financial statements do not present the management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic combined financial statements.

Plante & Moran, PLLC

January 26, 2005



A worldwide association of independent accounting firms

Pinecrest Medical Care Facility

Combined Balance Sheet

	December 31	
	2004	2003
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 224,207	\$ 227,852
Accounts receivable (Note 3)	1,170,712	1,066,846
Other current assets	231,988	236,120
Total current assets	1,626,907	1,530,818
Assets Limited as to Use - Deposits and investments (Note 2)	7,752,309	10,343,983
Property and Equipment - Net (Note 4)	9,873,886	6,862,440
Total assets	\$ 19,253,102	\$ 18,737,241
Liabilities and Net Assets		
Current Liabilities		
Bank line of credit (Note 5)	\$ -	\$ 29,575
Accounts payable - Trade	169,150	138,961
Accounts payable - Construction	592,169	139,719
Accrued salaries and related withholdings	403,672	367,178
Accrued compensated absences	488,217	521,928
Deferred revenue	-	102,970
Other current liabilities	93,502	98,010
Total current liabilities	1,746,710	1,398,341
Net Assets		
Invested in capital assets	9,873,886	6,862,440
Unrestricted	7,632,506	10,476,460
Total net assets	17,506,392	17,338,900
Total liabilities and net assets	\$ 19,253,102	\$ 18,737,241

Pinecrest Medical Care Facility

Combined Statement of Revenue and Expenses and Changes in Net Assets

	Year Ended December 31	
	2004	2003
Operating Revenue		
Net patient revenue	\$ 11,043,507	\$ 10,365,819
Proportionate Share Reimbursement Program revenue	183,601	262,128
Other operating revenue	<u>67,314</u>	<u>61,139</u>
Total operating revenue	11,294,422	10,689,086
Operating Expenses		
Salaries	7,144,020	6,784,505
Other expenses	<u>4,175,109</u>	<u>4,031,230</u>
Total operating expenses	<u>11,319,129</u>	<u>10,815,735</u>
Operating Loss	(24,707)	(126,649)
Nonoperating Revenue	<u>192,199</u>	<u>225,211</u>
Increase in Net Assets	167,492	98,562
Net Assets - Beginning of year	<u>17,338,900</u>	<u>17,240,338</u>
Net Assets - End of year	<u>\$ 17,506,392</u>	<u>\$ 17,338,900</u>

Pinecrest Medical Care Facility

Combined Statement of Cash Flows

	Year Ended December 31	
	2004	2003
Cash Flows from Operating Activities		
Cash received from residents and third-party payors	\$ 10,935,133	\$ 10,300,406
Other operating revenue	67,314	70,434
Cash received from Proportionate Share Reimbursement Program	80,631	205,688
Cash paid to employees and suppliers	<u>(10,659,775)</u>	<u>(10,431,545)</u>
Net cash provided by operating activities	423,303	144,983
Cash Flows from Noncapital Financing Activities -		
Contributions received	16,589	10,057
Cash Flows from Capital and Related Financing Activities		
Purchase of property and equipment	(3,181,246)	(1,050,382)
(Repayment of) borrowings on line of credit	<u>(29,575)</u>	<u>29,575</u>
Net cash used in capital and related financing activities	(3,210,821)	(1,020,807)
Cash Flows from Investing Activities		
Rental income	46,800	46,800
Interest received	128,810	197,940
Proceeds from sale of investments in assets limited as to use	3,821,625	9,492,810
Purchase of investments in assets limited as to use	<u>(1,247,681)</u>	<u>(12,252,633)</u>
Net cash provided by (used in) investing activities	<u>2,749,554</u>	<u>(2,515,083)</u>
Net Decrease in Cash and Cash Equivalents	(21,375)	(3,380,850)
Cash and Cash Equivalents - Beginning of year	<u>1,884,268</u>	<u>5,265,118</u>
Cash and Cash Equivalents - End of year	<u>\$ 1,862,893</u>	<u>\$ 1,884,268</u>
Balance Sheet Classification of Cash and Cash Equivalents		
Current assets	\$ 224,207	\$ 227,852
Assets limited as to use - Deposits (Note 2)	<u>1,638,686</u>	<u>1,656,416</u>
Total	<u>\$ 1,862,893</u>	<u>\$ 1,884,268</u>

Pinecrest Medical Care Facility

Combined Statement of Cash Flows (Continued)

	Year Ended December 31	
	2004	2003
A Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (24,707)	\$ (126,649)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	622,250	562,210
Bad debts	12,547	98,607
(Increase) decrease in assets:		
Accounts receivable	(116,413)	(76,244)
Other current assets	4,132	(124,351)
Increase (decrease) in liabilities:		
Accounts payable	30,189	(90,872)
Accrued liabilities	(1,725)	34,784
Deferred revenue	(102,970)	(132,502)
Net cash provided by operating activities	<u>\$ 423,303</u>	<u>\$ 144,983</u>

At December 31, 2004 and 2003, property and equipment additions totaling \$592,169 and \$139,719, respectively, were included in a construction payable.

Pinecrest Medical Care Facility

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 1 - Nature of Business and Significant Accounting Policies

Pinecrest Medical Care Facility (the "Facility") is a 174-bed, long-term medical care facility owned and operated jointly by Delta, Dickinson, and Menominee counties. The Facility is governed by a nine-member Family Independence Agency Board. This Board is made up of six members appointed by participating counties (two each) and three members appointed by the governor of Michigan (one to each county). This Board also oversees the operations of Whispering Pines and Powers Activity Center. Whispering Pines operates three residential care facilities for developmentally disabled adults. Whispering Pines also has a contract with an outside provider to provide community-supported living arrangement programs that provide housekeeping, personal care services, and transportation to developmentally disabled adults and senior citizens living on their own. Powers Activity Center is an outpatient mental health facility. As required by accounting principles generally accepted in the United States of America, these combined financial statements present Pinecrest Medical Care Facility and its component units. The individual component units discussed above are included because of the significance of their operational or financial relationships with Pinecrest Medical Care Facility.

Basis for Presentation - The combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Facility follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the Facility's financial activities.

Enterprise Fund Accounting - The Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Cash Equivalents - The Facility considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments - Investments are recorded at fair value.

Pinecrest Medical Care Facility

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Assets Limited as to Use - Assets limited as to use include assets set aside by the Family Independence Agency Board for future capital improvements, funding of combined time off, and managed care contracting. The Board retains control and may, at its discretion, subsequently use such assets for other purposes.

Property and Equipment - All property and equipment are reported at historical cost. Donated assets are recorded at the fair market value at the time of the donation. Depreciation on such fixed assets is charged as an expense against the operations on a straight-line basis.

Compensated Absences - Employees earn benefit days under the Facility's combined time-off policy. The value of the combined time off is charged to operations when earned. Unused benefits are recorded as a current liability in the combined financial statements.

Net Patient Service Revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Approximately 90 percent of the revenue from patient services is received from the Medicare and Medicaid programs. The Facility has agreements with the Medicare and Medicaid programs to provide reimbursement to the Facility at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Facility's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Medicaid - Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates based on a cost reimbursement methodology.

Pinecrest Medical Care Facility

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Proportionate Share Reimbursement Program (PSRP) - During the years ended December 31, 2004 and 2003, the Facility participated in the PSRP sponsored by the State of Michigan. During 2003, two transactions were completed. The first transaction in September was recorded in revenue in relation to the state fiscal year that ended September 30, 2003. The second transaction in October was for the state fiscal year ended September 30, 2004 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

Charity Care - The medical care facility provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the medical care facility does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient revenue. Amounts written off to charity care totaled approximately \$13,000 and \$12,000 for the years ended December 31, 2004 and 2003, respectively.

Operating Revenues and Expenses - The Facility's combined statement of revenue, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Facility's principal activity. Nonexchange revenues, grants, and contributions received for purposes other than capital asset acquisition are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services other than financing costs.

Pinecrest Medical Care Facility

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 2 - Deposits and Investments

The Facility's deposits and investments are composed of the following:

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 224,207	\$ 227,852
Assets limited as to use:		
Deposits	1,638,686	1,656,416
Investments	<u>6,113,623</u>	<u>8,626,531</u>
Total assets limited as to use	<u>7,752,309</u>	<u>10,282,947</u>
Total	<u>\$ 7,976,516</u>	<u>\$ 10,510,799</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

	<u>2004</u>	<u>2003</u>
Deposits	\$ 1,861,993	\$ 1,883,368
Investments	6,113,623	8,626,531
Petty cash	<u>900</u>	<u>900</u>
Total	<u>\$ 7,976,516</u>	<u>\$ 10,510,799</u>

Deposits - The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) totaling \$1,927,375 and \$1,977,753 at December 31, 2004 and 2003, respectively. The amount covered by federal depository insurance was \$420,825 and \$498,482 at December 31, 2004 and 2003, respectively. The amount uninsured and uncollateralized was \$1,506,550 and \$1,479,271 at December 31, 2004 and 2003, respectively.

The Facility believes that due to the dollar amounts of cash deposits and the limits of federal depository insurance, it is impractical to insure all bank deposits. As a result, the Facility evaluates each financial institution with which it deposits Facility funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Pinecrest Medical Care Facility

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 2 - Deposits and Investments (Continued)

Investments - The Facility is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. The Facility's investments are categorized below to give an indication of the level of risk assumed by the entity at December 31, 2004 and 2003. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Facility or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Facility's name. Category 3 includes investments held by:

- a. The counterparty or
- b. The counterparty's trust department (or agent) but not in the Facility's name

2004			
Category			Carrying Amount
1	2	3	
U.S. government securities	\$ 4,767,065	\$ 1,345,735	\$ 6,112,800
Money market and mutual funds			823
Total investments			\$ 6,113,623
2003			
Category			Carrying Amount
1	2	3	
U.S. government securities	\$ 7,365,695	\$ 1,259,298	\$ 8,624,993
Money market and mutual funds			1,538
Total investments			\$ 8,626,531

Pinecrest Medical Care Facility

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 2 - Deposits and Investments (Continued)

The Facility routinely invests its surplus operating funds in money market and mutual funds. These funds generally invest in highly liquid U.S. governmental and agency obligations. Investments in money market and mutual funds are not insured or guaranteed by the U.S. government, but are registered with the SEC; however, management believes that credit risk related to these investments is minimal.

Note 3 - Accounts Receivable

The details of accounts receivable are as follows:

	2004	2003
Accounts receivable - Gross	\$ 985,576	\$ 1,084,474
Less allowances for uncollectible accounts	(55,000)	(55,000)
Medicaid interim payment receivables	240,136	37,372
Accounts receivable - Net	<u>\$ 1,170,712</u>	<u>\$ 1,066,846</u>

Note 4 - Property and Equipment

The details of property and equipment and depreciable lives are as follows:

	2003	Additions	Retirements	2004	Depreciable Life - Years
Cost:					
Land	\$ 22,211	\$ -	\$ -	\$ 22,211	N/A
Building and improvements	12,066,019	15,253	-	12,081,272	10-40
Equipment	2,317,870	111,174	(450)	2,428,594	4-20
Construction in progress	475,702	3,507,269	-	3,982,971	N/A
Total cost	14,881,802	3,633,696	(450)	18,515,048	
Accumulated depreciation:					
Building and improvements	6,477,366	482,890	-	6,960,256	
Equipment	1,541,996	139,360	(450)	1,680,906	
Total accumulated depreciation	8,019,362	<u>\$ 622,250</u>	<u>\$ (450)</u>	8,641,162	
Net carrying amount	<u>\$ 6,862,440</u>			<u>\$ 9,873,886</u>	

Pinecrest Medical Care Facility

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 4 - Property and Equipment (Continued)

	2002	Additions	Retirements	2003	Depreciable Life - Years
Cost:					
Land	\$ 22,211	\$ -	\$ -	\$ 22,211	N/A
Building and improvements	11,597,367	468,652	-	12,066,019	10-40
Equipment	2,105,652	212,218	-	2,317,870	4-20
Construction in progress	-	475,702	-	475,702	N/A
Total cost	13,725,230	1,156,572	-	14,881,802	
Accumulated depreciation:					
Building and improvements	6,044,963	432,403	-	6,477,366	
Equipment	1,412,189	129,807	-	1,541,996	
Total accumulated depreciation	7,457,152	\$ 562,210	\$ -	8,019,362	
Net carrying amount	\$ 6,268,078			\$ 6,862,440	

Note 5 - Bank Line of Credit

For protection against overdrawn checks, the Facility has established sweep accounts and obtained a line of credit with a local bank. The Facility had borrowings under this line of credit of \$29,575 at December 31, 2003. The line of credit was unsecured and carried an interest rate of 5 percent. The line of credit was repaid in January 2004.

Note 6 - Related Party Transactions

Maintenance of Effort - Maintenance of effort (M.O.E.) payments are county obligations to the State of Michigan. Every month the State bills the county, at a per diem rate, for each Medicaid patient day at the medical care facility. All obligations are paid by the county except for amounts relating to a 14-bed addition, which are the responsibility of the Facility.

Pinecrest Medical Care Facility

Notes to Combined Financial Statements December 31, 2004 and 2003

Note 7 - Defined Contribution Retirement Plan

The Facility has two defined contribution plans, one for union employees and one for nonunion employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Facility contributes 2 percent of employees' gross earnings for participants of the bargaining units under a collective bargaining agreement, and 9 percent of gross earnings for participants in the nonunion plan. The Facility's contributions for each employee (plus interest allocated to the employee's account) are fully vested after 10 years of service. In accordance with these requirements, the Facility contributed approximately \$190,000 and \$132,000 during 2004 and 2003, respectively. There were no employee contributions to the plans in either year.

Note 8 - Risk Management

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for malpractice and general liability claims, and employee medical benefit claims. The Facility is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Facility is insured against potential professional liability claims under an occurrence-basis policy, whereby all claims resulting from incidents that occur during the policy period are covered up to insured limits, regardless of when the claims are reported to the insurance carrier. There are no known outstanding or pending claims at December 31, 2004 and 2003.

The Facility records workers' compensation claims as they are processed by the claims administrator. The Facility has also purchased stop-loss insurance for claims that exceed \$275,000. Changes in the estimated liability for the past two fiscal years were as follows:

	2004	2003
Estimated liability - Beginning of year	\$ 74,622	\$ 70,000
Estimated claims incurred, including changes in estimates	162,270	241,870
Claim payments	(153,192)	(237,248)
Estimated liability - End of year	<u>\$ 83,700</u>	<u>\$ 74,622</u>

Additional Information



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To the Family Independence Agency Board
Pinecrest Medical Care Facility

We have audited the combined financial statements of Pinecrest Medical Care Facility for the years ended December 31, 2004 and 2003. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as outlined in the table of contents, are presented for the purpose of additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Plante & Moran, PLLC

January 26, 2005

Pinecrest Medical Care Facility

Combining Balance Sheet

	December 31				
	2004				2003
	Pinecrest Medical Care Facility	Whispering Pines	Powers Activity Center	Total	Total
Current Assets					
Cash	\$ 77,229	\$ 113,851	\$ 33,127	\$ 224,207	\$ 227,852
Accounts receivable	1,105,844	50,909	13,959	1,170,712	1,066,846
Other current assets	131,962	98,148	1,878	231,988	236,120
Total current assets	1,315,035	262,908	48,964	1,626,907	1,530,818
Assets Limited as to Use - Deposits and investments	7,073,045	331,848	347,416	7,752,309	10,343,983
Property and Equipment - Net	9,626,143	150,229	97,514	9,873,886	6,862,440
Total assets	\$ 18,014,223	\$ 744,985	\$ 493,894	\$ 19,253,102	\$ 18,737,241

Pinecrest Medical Care Facility

Combining Balance Sheet (Continued)

	December 31				
	2004				2003
	Pinecrest Medical Care Facility	Whispering Pines	Powers Activity Center	Total	Total
Current Liabilities					
Bank line of credit	\$ -	\$ -	\$ -	\$ -	\$ 29,575
Accounts payable - Trade	136,686	20,916	11,548	169,150	138,961
Accounts payable - Construction	592,169	-	-	592,169	139,719
Accrued salaries and related withholdings	381,664	22,008	-	403,672	367,178
Accrued compensated absences	449,006	35,854	3,357	488,217	521,928
Deferred revenue	-	-	-	-	102,970
Other current liabilities	93,502	-	-	93,502	98,010
Total current liabilities	1,653,027	78,778	14,905	1,746,710	1,398,341
Net Assets	16,361,196	666,207	478,989	17,506,392	17,338,900
Total liabilities and net assets	<u>\$ 18,014,223</u>	<u>\$ 744,985</u>	<u>\$ 493,894</u>	<u>\$ 19,253,102</u>	<u>\$ 18,737,241</u>

Pinecrest Medical Care Facility

Combining Statement of Revenue and Expenses and Changes in Net Assets

	Year Ended December 31				
	2004				2003
	Pinecrest Medical Care Facility	Whispering Pines	Powers Activity Center	Total	Total
Operating Revenue					
Net patient revenue	\$ 9,249,791	\$ 1,597,208	\$ 196,508	\$ 11,043,507	\$ 10,365,819
Proportionate Share Reimbursement					
Program revenue	183,601	-	-	183,601	262,128
Other operating revenue	67,314	-	-	67,314	61,139
Total operating revenue	9,500,706	1,597,208	196,508	11,294,422	10,689,086
Operating Expenses					
Salaries	5,942,457	1,094,047	107,516	7,144,020	6,784,505
Other expenses	3,696,757	426,699	51,653	4,175,109	4,031,230
Total operating expenses	9,639,214	1,520,746	159,169	11,319,129	10,815,735
Operating Income (Loss)	(138,508)	76,462	37,339	(24,707)	(126,649)
Nonoperating Revenue	179,425	5,221	7,553	192,199	225,211
Increase in Net Assets	40,917	81,683	44,892	167,492	98,562
Net Assets - Beginning of year	16,320,279	584,524	434,097	17,338,900	17,240,338
Net Assets - End of year	<u>\$ 16,361,196</u>	<u>\$ 666,207</u>	<u>\$ 478,989</u>	<u>\$ 17,506,392</u>	<u>\$ 17,338,900</u>

Pinecrest Medical Care Facility

Schedule of Net Patient Revenue (Medical Care Facility Only)

	Year Ended December 31	
	2004	2003
Daily Room Revenue		
Medicaid	\$ 7,933,163	\$ 6,887,355
Medicare	546,970	615,810
Private pay and other	<u>731,532</u>	<u>1,044,110</u>
Total daily room revenue	9,211,665	8,547,275
Ancillary Revenue		
Physical therapy	454,521	363,423
Drugs	114,209	126,250
Medical supplies	6,124	11,407
Speech	48,446	13,380
Laboratory and radiology	76,249	73,901
Occupational therapy	<u>188,456</u>	<u>134,967</u>
Total ancillary revenue	<u>888,005</u>	<u>723,328</u>
Gross patient revenue	10,099,670	9,270,603
Revenue Adjustments		
Provision for charity care	(13,141)	(11,801)
Provision for contractual adjustments	(824,191)	(578,929)
Provision for bad debts	(12,547)	(98,607)
Prior year cost report settlements	<u>-</u>	<u>80,273</u>
Total revenue adjustments	<u>(849,879)</u>	<u>(609,064)</u>
Net Patient Revenue	<u>\$ 9,249,791</u>	<u>\$ 8,661,539</u>

Pinecrest Medical Care Facility

Schedule of Operating Expenses (Medical Care Facility Only)

	Year Ended December 31			
	2004			2003
	Salaries	Other	Total	Total
Fringe benefits	\$ -	\$ 1,428,669	\$ 1,428,669	\$ 1,372,511
Administration	442,534	331,399	773,933	735,657
Plant operations	271,727	57,393	329,120	311,805
Utilities	-	275,151	275,151	257,308
Laundry	178,139	43,844	221,983	214,317
Housekeeping	275,778	29,972	305,750	285,578
Dietary	521,933	377,582	899,515	871,097
Medical records	-	62,632	62,632	63,010
Diversional therapy	131,406	5,916	137,322	123,297
Other ancillary services	-	25,736	25,736	26,056
Therapy services	246,509	35,418	281,927	281,776
Pharmacy	-	107,410	107,410	123,833
Nursing	3,874,431	315,073	4,189,504	3,990,751
Depreciation	-	600,562	600,562	535,421
2004 totals	<u>\$ 5,942,457</u>	<u>\$ 3,696,757</u>	<u>\$ 9,639,214</u>	
2003 totals	<u>\$ 5,637,626</u>	<u>\$ 3,554,791</u>		<u>\$ 9,192,417</u>

Pinecrest Medical Care Facility

Schedule of Nonoperating Revenue (Medical Care Facility Only)

	Year Ended December 31	
	2004	2003
Investment income	\$ 116,036	\$ 153,742
Rental income	46,800	46,800
Contributions	16,589	10,057
Total nonoperating revenue	<u><u>\$ 179,425</u></u>	<u><u>\$ 210,599</u></u>

Master Document

FIELD	VALUES
Company Name (Headings)	Pinecrest Medical Care Facility
Company Name (Text)	Pinecrest Medical Care Facility
D/B/A	d/b/a
Year End	December 31, 2004
Prior Year End	December 31, 2003
2 Year Prior	December 31, 2002
Opinion Date	January 26, 2005
Comparative Date	December 31, 2004 and 2003
2004	2004
2003	2003
2002	2002